

North Carolina Hospital Association

Comments to the Joint Legislative Oversight Committee on Health and Human
Services, Medicaid Reform/DMA Reorganization Subcommittee

October 20, 2014

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North Carolina hospitals believe reform of the Medicaid program is essential for its viability, the solvency of the state budget, and the patients we serve each day. Hospitals fully support the goal of the Senate, House of Representatives, and the Governor to establish a sound Medicaid program.

Since beginning down this path, your hospitals have partnered with provider groups to develop a solution to Medicaid that will deliver budget certainty while providing high quality care. Building on a successful medical home model established by Community Care of North Carolina, we promise to provide comprehensive care to the Medicaid population at a set cost to the taxpayers through the use of Accountable Care Organizations. We understand that the current health care model is unsustainable. We have been working with the private sector to redesign the care and payment models. Our goal is to apply those innovations to the Medicaid program.

While hospitals support the goals of this General Assembly, we do not support movement to Medicaid management by commercial insurance companies. This method has been piloted before in North Carolina resulting in failure. Just last month the Health and Human Services Oversight Committee was informed that the behavioral health care managed care organizations we already use in North Carolina would, like managed care organizations used in other states, need more money to make it through the fiscal year. Medicaid HMOs have consistently been shown not to save the state money.

MCOs manage by denial. Their claims to quality care are disingenuous, as they do not provide patient care. Their only success can be had from the care given by physicians in settings such as hospitals. Why have the middleman when those same providers can ensure both quality and predictability? In addition, they siphon scarce dollars out of payment for care to administrative and corporate profits.

Hospitals and other providers are already at risk. With every shortfall, the budget is filled with rate cuts and assessment retention increases. If hospitals and other providers are already at risk, you should give them a chance to control the spending before looking outside.

Your hospitals are prepared to work with other providers to assume full risk for the whole patient. We are willing to get there within a reasonable time. As we move through that transition, we are eager to work with you to contain the costs and provide greater

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certainty. While much is at stake for the state; hospitals, our employees, and our patients have an even greater stake in the outcome of this experiment.

North Carolina has a world-class healthcare sector, one that should be utilized in caring for our state's neediest. Give your providers a chance. If we do not deliver, then we will get out of the way and you can then turn it over to insurance companies.

Medicaid, the program and the division, have long needed reform. What you choose to do should be done carefully and with as much provider support as possible. Hospitals support a provider led solution and are ready to work with you on the details of that solution so that the taxpayers and the Medicaid patients receive the best use of healthcare and taxpayer dollars.